

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – OCTOBER 20, 2004

PRESENT: Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Aidan Moore, Chief of Enforcement; Peter Engel, Director of Store Operations; Howard Roundy, Director of Information Technology; Evie Taft, Human Resources Administrator; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer. Guests: Al Picconi, United Beverages, Inc.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending October 17, 2004 indicates retail sales were up 7.3%, on-premise sales were up a little over 5.4%, off-premise sales were up almost 1.4%, and total aggregate sales were up around 6%. The traffic count increased by 3,226, as did the average sales ticket by \$1.06.

The W-1 Total Weekly Sales report for the same week confirms total sales were up almost 6% or \$421,848 over the same week last year, and were also up for the year by 6.9% or \$8,092,462. Wine sales rose for the week by 3.4% or \$112,695, and increased by 7.9% or \$4,098,303 for the year. Sales of spirits were up on a weekly basis by almost 8.3% or \$309,153, as they were year-to-date by a little over 6% or \$3,994,159.

B. Budget/Administrative Reports:

A look at the current outstanding depletions and post-offs report shows that the broker who owed money from August did pay their debt. They still, however, owe several outstanding service charges, as does one other broker.

There is a Governor and Council meeting at 10:00 a.m. this morning; the Commission has no items on this agenda.

Craig thanked the other Bureau Chiefs for their assistance in the completion of the NABCA Annual Survey for this year.

Craig, Howard and George attended a meeting on October 14th, at which time OIT explained to all agencies the allocation process regarding IT expenses. Craig will meet with Rick Bailey this afternoon to review specific cost allocations for the Commission, and will report back to the Commission

next week regarding this. Apparently, OIT is allocating all of their overhead expenses to the various state agencies. George mentioned that the only item under consideration for the Commission would be tobacco software.

The current W-6 Expense Budget Activity Variance Report shows the year to be at about 30.4% expired, with total agency expenditures at around 32.6%. The main account of concern at this time is Class 60 Benefits. George presented a synopsis of FY 2005 budget projections. He explained that the IT internal lapse will not be available for the agency because of the IT personnel transfer to OIT. Projections are based upon a 47% increase in health insurance costs. Rates were increased several times last year, with another 29% added this year. Marketing costs will have to be closely monitored. George will try to present a report on a weekly basis.

2. IT Report

Howard distributed copies of proposed labels to be used in conjunction with the new Dolphin scanners.

Howard displayed the new home page for the Commission website showing potential changes. Links will remain the same as before. The product locator, which is the site's most popular feature, now appears on the front page. The gift card bar was also updated to show current available cards. It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve these changes to the home page. The motion was unanimously adopted.

3. Human Resources Report

Evie reported there 7 overdue appraisals for stores, one for the Concord warehouse and 2 for Enforcement.

Sexual harassment training will be taking place at the Bureau of Enforcement today. If there are any employees from headquarters which have not yet attended a session, there may be a few seats available there.

The big managers' meeting is scheduled for tomorrow in Manchester.

According to Liberty Mutual, there were no workers compensation losses for the Commission during the month of September.

II. MARKETING & SALES REPORTS

1. Store Operations

Total retail sales for the week ending 10/17/04 increased by 7.06% or \$390,304.59. Store #38 Portsmouth lead the way in Cluster 1, while Store #1 Concord had the largest increase among the Cluster 2 stores. In Cluster 3, Store #11 Lebanon continues to climb in sales.

Quarterly inventory in the stores is now taking place. Supervisors are in the process of picking stores to test the new Dolphin equipment. There have been some minor problems which are being addressed by Howard.

The managers' meeting will take place tomorrow from 10:00 a.m. to 1:00 p.m. at the Back Room in Manager. It will include holiday programming for the stores and information on sexual harassment.

An independent contractor did a "chain drag" on the floor at Store #38 Portsmouth. They are of the opinion that problems will surface with the floor in the future, and recommended the Commission obtain an extended eight-year warranty. It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that this recommendation be approved. The motion was unanimously adopted.

George reported that there have been issues regarding the delivery of gift bags from the current vendor, Portsmouth Paper. This also occurred last year with the same vendor. George spoke with a representative from Purchase and Property, who assured him that this vendor will be watched. A large delivery has been received, but was short of what was ordered. George was told that the rest of the shipment will be in next week.

2. Purchasing Report

There was nothing of significance to report regarding out-of-stock products over the past week. John is hoping that the Concord warehouse report will be completed by the end of the day, including recommendations for consideration by the Commission.

3. Merchandising Report

A. SPIRITS:

1) Columbus Day Sale (Sept. 30-Oct. 11, 2004):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission acknowledge the results of the Columbus Day Sale, which was held from Thursday, September 30 through Monday, October 11, 2004. The motion was unanimously adopted.

2) Full Distribution (Code #3543):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Nolet Spirits USA for a change in specialty item status to full distribution for Code #3543, Kettle One Citron, 750ML size, as this item has exceeded the required gross profit for full distribution at the end of a twelve-month period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Appeal (Code #5366):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny an appeal from United Beverages, Inc. regarding the delisting of Code #5366, Arrow Sour Apple Schnapps, 750ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Purchase of Discontinued Product (Code #4848):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Boisset America to purchase delisted Code #4848, Mohawk Coffee & Brandy, 1.75L size, to be distributed to selected stores and reduced in price in order to deplete remaining inventory, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Product Demo Request (Kahlua):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company to conduct informational demonstrations in conjunction with the promotion of Kahlua in selected stores on set dates and times during December 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) December Special Offers:

a. 197 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United

Beverages, Inc., based upon special purchase allowances for one hundred ninety-seven (197) spirit items, to be featured on sale during December 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 2 items (unmatched) – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve additional special offers from United Beverages, Inc., based upon depletions, without matching state funds, of two (2) spirit items, to be featured on sale during December 2004, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

- 1) Special Offers for December 2004:

- a. 4 items – R.P. Imports:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from R.P. Imports, based upon depletions and/or special purchase allowances for four (4) wine items, to be featured on sale during December 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 17 items – Pine State Trading Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company, based upon depletions and/or special purchase allowances for seventeen (17) wine items, to be featured on sale during December 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- c. 60 items – M.S. Walker, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, Inc., based upon depletions and/or special purchase allowances for sixty (60) wine items, to be featured on sale during

December 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 55 items – Executive Wine & Spirits:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions for fifty-five (55) wine items, to be featured on sale during December 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Primary Source Submissions (1 item – primary source; 8 items – exclusive agent; 15 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of one (1) wine code which is from primary source, eight (8) wine codes which are not from primary source, but are offered by the exclusive marketing agent, and fifteen (15) wine codes which are not from primary source, but are imported, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORT – None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated October 14 through October 20, 2004. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items/Other:

a. Non-recommendation on Depletion Offer:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny special offers from Horizon

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Beverage Company/Bacardi USA, based upon depletions of two (2) wine items, to be featured during December 2004, as recommended by Nicole Brassard, Wine Marketing Specialist. The motion was unanimously adopted.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford

